

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
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P 091108Z SEP 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 1731
INFO ALL EC CAPITALS
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11443

USEEC

E.O.11652: GDS
TAGS: ETRD, EEC, GATT
SUBJECT: EC COMMISSION GUIDELINES ON TEXTILE AGREEMENT
NEGOTIATIONS

REF: (A) BRUSSELS 8959, (B) BRUSSELS 11406

1. EC COMMISSION APPROVED ON SEPTEMBER 7 A SET OF
GUIDELINES WHICH IT PROPOSES TO FOLLOW IN NEGOTIATING
BILATERAL TEXTILE AGREEMENTS WITH MORE THAN 20 EXPORT-
ING COUNTRIES BETWEEN NOW AND END OF NOVEMBER. COMMISSION
PAPER CALLS FOR RENEWAL OF MFA WITHOUT CHANGE IN
DECEMBER, THROUGH ACCESSION TO PROTOCOL DRAWN UP ON
BASIS OF PAPER 44 PRESENTED IN TEXTILES COMMITTEE
MEETING IN GENEVA ON JULY 24, IF SUBSTANCE OF EC
NEGOTIATING OBJECTIVES HAVE BEEN MET BY THAT TIME.
COMMISSION GUIDELINES NEED TO BE APPROVED BY THE EC
COUNCIL BEFORE NEGOTIATIONS CAN BEGIN. MISSION HAS
OBTAINED TEXT OF THESE GUIDELINES, WHICH REMAINS AN
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INTERNAL, CONFIDENTIAL EC DOCUMENT. TEXT BEING
POUCHED TO EB/OT - JACK ST. JOHN AND USMISSION GENEVA -
HARRY PHELAN.

2. MISSION OFFICER DISCUSSED COMMISSION STRATEGY ON
BILATERAL NEGOTIATIONS WITH DG-I SPECIAL REPRESENTA-
TIVE FOR TEXTILE NEGOTIATIONS TRAN VAN THINH AND

DG-I OFFICIAL ALASTAIR SUTTON ON SEPTEMBER 8.
ACCORDING TO THESE OFFICIALS, COMMISSION SCHEDULE
OUTLINED IN REF A WITH RESPECT TO BILATERAL NEGO-
TIATIONS CONTINUES TO HOLD. NEXT STEP WILL BE TO
PRESENT GUIDELINES TO FOREIGN MINISTERS COUNCIL
DURING SESSION OF SEPTEMBER 19-20 AND TO OBTAIN FINAL
COUNCIL APPROVAL AS EARLY AS POSSIBLE IN OCTOBER. (NEXT
FOREIGN MINISTERS COUNCIL IS SCHEDULED FOR OCTOBER 17-18
BUT PROCEDURES EXIST FOR EARLIER APPROVAL IF MEMBER
STATES ARE IN AGREEMENT.) IN PREPARATION FOR COUNCIL
DISCUSSION, COMMISSION HAS BEGUN INTENSIVE SERIES OF
MEETINGS WITH MEMBER STATE DELS IN COREPER MECHANISM.
TRAN EXPRESSED CONSIDERABLE SATISFACTION THAT COMMISSION
PLAN REMAINS ON SCHEDULE AND SAID THAT MEMBER STATES
HAD BEEN SURPRISED THAT COMMISSION TEXTILE OFFICIALS
HAD ACTUALLY WORKED THROUGH AUGUST HOLIDAY PERIOD.
HE IS CONFIDENT THAT COMMISSION HAS REGAINED INITIATIVE
FROM MEMBER STATES ON TEXTILE POLICY AND WILL BE ABLE
TO KEEP IT.

3. TRAN INDICATED THAT COMMISSION HAD COMPLETED INITIAL
CONTACTS IN CAPITALS OF MAJOR LDC EXPORTERS. PURPOSE
OF THESE TRIPS WAS TO INFORM THEM OF SERIOUSNESS OF PUR-
POSE OF EC IN SEEKING TO OBTAIN MORE RESTRICTIVE GROWTH
OF TEXTILE IMPORTS. TRAN INDICATED HIS BELIEF THAT LDC'S
HAD GOT THE MESSAGE, SEEMING TO UNDERSTAND THAT EC
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MEMBER STATE PRESSURE FOR IMPORT RESTRICTIONS ALLOWED
LITTLE ROOM FOR NEGOTIATION OF LEVELS PROPOSED BY
COMMISSION. IN MORE SPECIFIC TERMS, THIS MEANS USE OF
1976 EC IMPORTS FROM ALL THIRD COUNTRIES "EXCEPT
INDUSTRIALIZED, MARKET ECONOMY COUNTRIES" AS A STARTING
POINT FOR ALLOCATING QUOTAS, INCLUDING GROWTH FACTOR,
FOR 1978 AND SUBSEQUENT YEARS. TRAN SAID THAT SEVERAL
LDC'S HAD EXPRESSED UNHAPPINESS THAT US EXPORTS WERE
TO BE EXCLUDED FROM THE EC'S GLOBAL STABILIZATION
APPROACH. IN RESPONSE TO A QUESTION, TRAN CONFIRMED
THAT IN THE CASES OF HONG KONG, KOREA AND TAIWAN ONLY,
AND FOR CERTAIN PRODUCTS ONLY, THE COMMISSION WOULD BE
SEEKING A REDUCTION IN 1976 IMPORT LEVELS. ALTHOUGH
COMMISSION GUIDELINES REFER TO SEVERAL STATISTICAL
ANNEXES, ONLY ONE OF THESE, LISTING COUNTRIES WITH
WHOM AGREEMENTS WILL BE SOUGHT, IS INCLUDED. TRAN SAID
THAT COMMISSION WILL RESIST PRESENTING OTHERS, WHICH
WOULD GIVE ACTUAL FIGURES TO BE SOUGHT IN EACH
BILATERAL, TO COUNCIL SO AS TO AVOID PITFALL OF PAST
COMMUNITY TEXTILE POLICY, IN WHICH COMMISSION NEEDED TO
IN EFFECT NEGOTIATE WITH ITS OWN MEMBER STATES BEFORE
IT COULD APPROACH LDC'S. COMMISSION APPROACH WOULD

DIVIDE TEXTILE IMPORTS INTO FOUR CATEGORIES DEFINED

IN GUIDELINES AS FOLLOWS:

QUOTE: THE FIRST GROUP COMPRISES PRODUCTS WHICH ARE HIGHLY SENSITIVE, BOTH ECONOMICALLY AND POLITICALLY, FOR THE WHOLE OF THE COMMUNITY AND HAVE ALREADY BEEN RECOGNIZED AS SUCH BY THE COUNCIL. THE PENETRATION RATE FOR THIS GROUP OF PRODUCTS WILL BE STABILIZED AS STRICTLY AS POSSIBLE, AND THE IMPORT GROWTH RATE WILL BE LINKED TO THE ESTIMATED GROWTH IN INTERNAL CONSUMPTION. THE AVERAGE ANNUAL GROWTH RATE FOR ALL THESE PRODUCTS WILL BE BETWEEN 1 AND 2 PERCENT.

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FM AMEMBASSY BRUSSELS

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THE SECOND GROUP CONTAINS OTHER PRODUCTS WHICH ARE HIGHLY SENSITIVE AND FOR WHICH PENETRATION RATE IS GREATER THAN 20 PERCENT AT COMMUNITY LEVEL. THE ANNUAL GROWTH RATE FOR THE TOTALITY OF THE PRODUCTS OF THIS GROUP WILL BE AROUND 4 PERCENT.

THE THIRD GROUP CONSISTS OF SENSITIVE PRODUCTS FOR WHICH THE OVERALL GROWTH RATE WILL BE APPROXIMATELY 6 PERCENT PER YEAR. THE PRODUCTS IN THIS GROUP ARE THOSE WITH AN IDENTIFIED PENETRATION RATE OF BETWEEN 5 AND 20 PERCENT, AND ALSO PRODUCTS WHICH, ALTHOUGH THEY HAVE A HIGHER PENETRATION RATE, ARE IMPORTED FROM ONLY ONE OR TWO SUPPLIERS. FOR THIS LAST CATEGORY OF PRODUCTS THE INDIVIDUAL ANNUAL GROWTH RATE MAY BE BELOW 6 PERCENT.

THE FINAL GROUP COMPRISES ALL OTHER PRODUCTS LISTED IN THE FIRST PART OF ANNEX II, WITH AN IDENTIFIED OR ESTIMATED PENETRATION RATE OF BELOW 5 PERCENT. THE ANNUAL GROWTH RATE FOR THIS GROUP AS A WHOLE WILL BE ABOVE 6 PERCENT.

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ANNUAL COMMUNITY GROWTH RATE OF 6 PERCENT WILL BE ACCORDED TO THE TOTALITY OF THESE PRODUCTS. END QUOTE.

4. TRAN INDICATED THAT THE COMMISSION PLANS TO CONDUCT ALL OF THE BILATERAL NEGOTIATIONS IN BRUSSELS IN OCTOBER AND NOVEMBER. HE NOTED THAT COMMISSION GUIDELINES STATE CATEGORICALLY THAT NEGOTIATIONS WITH THE LDC'S MUST START IN OCTOBER AND THAT "THIS MEANS THAT THE COUNCIL WILL NEED TO GIVE TOP PRIORITY TO EXAMINING THESE DIRECTIVES SO THAT THEY CAN BE ADOPTED BEFORE THE END OF SEPTEMBER. NO OTHER TIMETABLE IS POSSIBLE." ALTHOUGH IN PRACTICAL TERMS, THE COMMISSION IS READY TO WAIT UNTIL EARLY OCTOBER FOR COUNCIL APPROVAL, TRAN STATED THAT ANY OTHER DELAY WOULD MAKE THE COMMISSION TIMETABLE UNATTAINABLE. HE CLAIMED THAT THE COMMISSION'S LEVERAGE VIS-A-VIS THE MEMBER STATES WILL BE A CLEAR WARNING THAT IT WOULD NOT PROPOSE SAFEGUARD MEASURES AS OF JANUARY 1 IN THE ABSENCE OF COUNCIL APPROVAL AS REQUESTED. THIS WOULD MEAN THAT EC TEXTILE IMPORTS WOULD BE GOVERNED NEITHER BY BILATERAL AGREEMENTS NOR BY UNILATERAL EC CONTROLS AS OF THAT DATE. HE AGREED WITH MISSION OFFICER'S CHARACTERIZATION OF SUCH A SITUATION AS A COMMUNITY "CONSTITUTIONAL CRISIS" AND SAID THE COMMISSION IS SERIOUS. TRAN ALSO BRUSHED ASIDE RECENT ALTERCATIONS WITH VARIOUS EXPORTING COUNTRIES (E.G., MOROCCO, KOREA AND INDIA) OVER UNILATERAL RESTRAINTS ADOPTED IN JULY AND AUGUST. HE EXPRESSED UNDERSTANDING OF LDC'S COMPLAINTS AND SAID HE HAD OPPOSED THESE MEASURES IN EC CIRCLES FROM THE BEGINNING AS UNDERMINING LDC FAITH IN EC'S ABILITY TO HONOR COMMITMENTS IT TOOK ON IN ITS AGREEMENTS. IN THIS RESPECT, TRAN ALSO INDICATED THAT THE COMMISSION IS AWARE THAT FRANCE HAS BEEN USING NEW LICENSING

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REQUIREMENT AS A MEANS TO DELAY TEXTILE DELIVERIES. HE SAID THAT THE COMMISSION IS SERIOUS IN WANTING TO PREVENT "THE INTRODUCTION OF NATIONAL MEASURES FOR

OBSTACLES TO TRADE" AS MENTIONED IN COMMISSION PRESS ANNOUNCEMENT (REF B), AND WILL BRING PRESSURE AGAINST FRANCE, INCLUDING LEGALLY IF NECESSARY, NOT TO ABUSE THE LICENSING SYSTEM. LDC'S MUST BE ASSURED THAT COMMISSION AND COMMUNITY ARE ACTING IN GOOD FAITH AND THIS DOES NOT ALLOW FOR CONTINUATION OF SUCH HARASSING TACTICS.

5. TRAN TOOK THIS OCCASION TO REPEAT HIS AND COMMISSION'S GRATITUDE FOR EXTREMELY HELPFUL ASSISTANCE GIVEN BY US TEXTILE NEGOTIATORS AT GENEVA TEXTILE COMMITTEE MEETINGS. HE SAID THAT HE WOULD APPRECIATE OPPORTUNITY TO DISCUSS SITUATION AND SEEK ADVICE FROM TEXTILE NEGOTIATOR SMITH SHOULD LATTER BE IN EUROPE ANY TIME SOON. HINTON

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